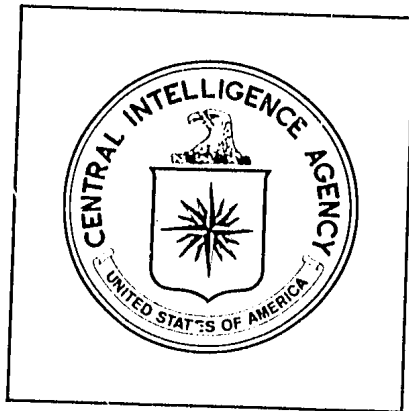


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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

This publication is prepared for regional specialists in the Washington community by the Western Europe Division, Office of Current Intelligence, with occasional contributions from other offices within the Directorate of Intelligence. Comments and queries are welcome. They should be directed to the authors of the individual articles.

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Turks Weighing Next Moves on Cyprus Question

Prospects for progress toward a negotiated Cyprus settlement now depend in large part on the Turks' willingness to respond to the recent concessions by the Greek side, but domestic political constraints will compel Prime Minister Demirel to proceed cautiously.

The concessions made by the Greek side at the last round of intercommunal talks, allowing some 9,000 Turkish Cypriots in the Greek Cypriot zone to move north and accepting a bi-zonal federation with a weak central government, has sparked a wide-ranging debate among Turks and Turkish Cypriots about the terms for a Cyprus settlement. For the first time there has been public discussion of specific territorial concessions and percentages of the land area to be occupied by the two ethnic communities.

Even though Ankara has linked settlement of the Cyprus dispute to revocation of the US arms embargo, Demirel appears to be considering some concessions on the Cyprus question rather than taking additional retaliatory measures against US facilities that would adversely affect Turkish security interests and be difficult to reverse. The concessions already made by the Greek side will make it easier for the Turks to make a conciliatory move. The approaching senatorial elections in October, however, will weigh heavily on Demirel whose policy toward the US bases and Cyprus could be exploited by his political rivals.

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Opposition leader Ecevit's comments with respect to Cyprus have been helpful in this regard. Ecevit has been saying that both sides must show flexibility and he is prodding the Demirel government to take the initiative. The principal obstacle to movement on the Turkish side is Demirel's coalition partner on the far right, Necmettin Erbakan, who has spoken out against concessions. Erbakan's National Salvation Party stands a chance of making some gains at the expense of Demirel's Justice Party in October.

According to the US embassy in Ankara, Demirel has a choice of several options in the next round of intercommunal talks to be held in New York on September 8-9. He can

- postpone discussion of the territorial issue until after the senate elections, while in the meantime emphasizing the need for agreement on institutional arrangements.
- allow Turkish Cypriot leader Denktash to take a position in the talks that would be subject to later confirmation or disavowal by Ankara.
- authorize Denktash to seek a compromise on the territorial issue.
- couple a compromise on the territorial issue with revocation of the arms embargo.
- isolate or silence Erbakan by seeking public support for concessions by the widely respected President Koruturk and Turkish General Staff Chief Sancar.

Meanwhile, Demirel has allowed Denktash to take the initiative in formulating a tentative

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settlement package--albeit within strict guidelines from Ankara--that could be presented in New York.

According to Denktash, his proposals will include territorial concessions in the rich Morphou and Famagusta areas. Denktash is proceeding cautiously for fear of getting ahead of Ankara and compromising his own political position. He noted that he must sell his proposals to all the Turkish political parties and that this would not be easy.

Even if Denktash offers territorial concessions in New York, as promised in the last round, a great deal of haggling will still be necessary before firm lines can be agreed upon. President Makarios may still withdraw his consent to a bi-regional federation--on which he has yet to commit himself publicly--if Denktash balks at making territorial concessions or if such concessions are merely token.

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Norway Warns Soviets About Activities
on Svalbard

Norwegian Prime Minister Bratteli, in a speech last week marking the 50th anniversary of Norway's assumption of control over Svalbard, warned Moscow that Oslo is determined to exercise "full and absolute sovereignty" over the archipelago. He emphasized that Svalbard is "part of Norway" and that Oslo would not relinquish control of the islands, nor would it grant preferential rights or special privileges to any country.

Bratteli's unusually blunt remarks probably reflect Oslo's annoyance over continued Soviet assertiveness in matters relating to Svalbard. The Norwegian press has pointed to Soviet helicopter operations--conducted without Norwegian permission--as evidence that unless the Norwegians act firmly now, they may have difficulty controlling future Soviet activities in the area.

In addition to Svalbard's strategic location at the approaches to Murmansk, the Soviets are interested in the archipelago because of its oil, gas, and coal deposits. The Soviets recently announced that they plan to begin prospecting for oil in the Barents Sea next year.

The Svalbard Treaty signed in 1920 granted all signatories the right to pursue economic activities in the area, but all signatories agreed to accede to Norwegian sovereignty over the area. At present, Moscow is the major exploiter of these economic rights. Norwegian control over the area is complicated by the fact that there are twice as many Soviets living on Svalbard as Norwegians, and the Soviets traditionally have ignored many Norwegian administrative regulations.

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Belgian Minister's Death May Weaken Government

The Belgian government is in for another shaky period as a result of the death on Monday of Economics Minister Andre Oleffe. For the time being, Prime Minister Tindemans will take the economics portfolio until a successor can be named who will not upset the delicate linguistic, as well as political, balance within the cabinet.

According to the US Embassy in Brussels, none of the professionally qualified candidates from outside the government have the confidence and support of the French-speaking Walloon workers that Oleffe had. The lack of a suitable candidate from the outside could result in a cabinet shuffle and jockeying among coalition forces for the key position.

Tindemans faces serious economic issues that require some difficult decisions--preferably sooner than later. Furthermore, prolonged preoccupation with intra-coalition maneuvering could sap government strength in parliament.

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EC Turns Deaf Ear to Yugoslavia

The EC has turned a deaf ear so far to Yugoslavia's requests for help in countering its worsening balance of payments problems--brought on, in part, by the EC's ban on meat imports.

At a meeting of EC and Yugoslav officials last month, the Yugoslavs presented a list of suggestions for improving economic and financial ties under the terms of the 1973 EC-Yugoslavia non-preferential trade agreement. The EC Commission was reluctant to commit itself to assisting the Yugoslavs, however, agreeing only to establish two committees to investigate prospects for increased agricultural and industrial cooperation.

Little, if any, progress was made in meeting Yugoslav desires to improve benefits for migrant workers and to lift the ban on meat imports. The EC Nine apparently are also unwilling to improve the benefits Yugoslavia already receives from its inclusion in the EC's system of generalized trade preferences for developing countries.

The Commission listened sympathetically to Yugoslavia's request for access to the European Investment Bank, but had not been empowered to take action. The EC Council is expected, however, to approve a loan next month, but at normal commercial rates.

The Yugoslavs have warned the EC that failure to be more forthcoming could force Belgrade to turn to the Soviet-dominated CEMA for more of its imports, especially now that CEMA's credit terms are becoming more generous. Although the EC Commission is anxious to help Yugoslavia maintain its non-aligned position,

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it is doubtful--as a UK official pointed out--whether the EC members will be able to subordinate their own domestic economic interests in order to make the necessary concessions. The not very responsive attitude of the community towards Yugoslavia would not appear to strengthen the EC's arguments to other East European countries that they should approach the community bilaterally and shun Moscow's attempts to talk for them under the CEMA umbrella.

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British Plans for CSCE Implementation

Initial indications suggest that London will favor a number of international fora for monitoring the CSCE agreement. The British are likely to strike a middle-of-the-road course in formulating their implementation policy in order to avoid upsetting the recent rapprochement with the Soviets.

British CSCE activity has been almost at a stand-still since the Helsinki summit. Official responsibility is being transferred to another section of the foreign office and the new principals are currently on leave. Consequently, the British were caught napping by the US proposal that NATO serve as a focal point for monitoring CSCE implementation. One official, familiar with CSCE developments, believes that while NATO is the logical forum for defense issues, the British may, for example, favor working through the EC political directors on other matters. The British hope that CSCE discussions will be able to avoid the conflict and confusion that characterized the 1973 talks between the Europeans and their North American allies during the Atlantic declaration controversy.

The official believes that the implementation policy will reflect the continuing debate within the British government which finds foreign office career officers taking a tougher line on east-west relations than top political leaders. He said the will to take hard positions vis-a-vis the Soviets grows weaker as it moves to higher levels in the foreign office and to the top political level, especially Prime Minister Wilson.

This political weakness does not stem from the Labor government's lack of interest in the success of

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CSCE. Wilson may believe, however, that a strong western implementation program would only highlight the charges of critics of CSCE, who have already warned that communist compliance with the agreement would be less than satisfactory. Such criticism could have a dampening effect on relations with the USSR which have only recently gotten back on track after London had expelled over one hundred Soviet "diplomats" from Britain in 1971. Wilson has had a personal role in re-establishing good relations with Moscow and he would be interested in its continuation.

Furthermore, the Labor government has enough difficulties in managing Britain's affairs with its one vote parliamentary margin and a tough implementation policy runs the risk of stirring up public, parliamentary, and intra-party debates that could cause additional problems for already hard pressed government and party leaders. [REDACTED]

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